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Research Bulletin

No. 190

The Conference Board
70th Anniversary

Current Issues in Human-Resource Management

by Lawrence Schein

Management Summary

- In this survey of nearly 600 major U.S. companies, senior human-resource executives single out *cost control of employee benefits* as their most pressing issue during the next one to three years.
- Other critical issues for human-resource management in the near term: productivity improvement; linking human-resource planning with the strategic business plan; changing the corporate culture.
- The thrusts toward health-care cost containment and productivity improvement are being led by companies with 10,000 or more employees.
- Executives perceive the human-resource function to be changing in one particular respect: greater involvement with the operations, decisions and strategies of the company's business.
- The majority of respondents believe that, in the near future, more merger-acquisition-divestiture activity and the accelerating introduction of new technologies—in production, marketing, distribution and administration—will have an impact on their companies.
- Nearly all executives queried expect productivity gains in the next few years, set in motion chiefly by the better use of human resources and the application of new technologies.
- More job opportunities will be available for managers and professionals than for clerks and production workers.
- Job opportunities for managers and professionals will be better in financial services than in manufacturing or public utilities.
- Financial services companies and nonunion firms are in the forefront in job analysis and bonus plans for middle managers and professionals.
- In the manufacturing industry, executives in the nondurable goods sector expect less diversification, fewer operations abroad, less introduction of new technology, and more merger-divestiture activities than their counterparts in durable goods.
- Human-resource employment levels are not expected to change between 1984 and 1986.

HUMAN RESOURCES PROGRAM

About This Report

Highlights of the 1986 survey of issues in the management of human resources were reported at the Board's Human Resources Outlook Conference in October, 1985. At the same time, these preliminary materials were sent to respondents in the nearly 600 companies participating in the survey. This Research Bulletin presents detailed findings, analyses and statistical data from the 1986 survey, including comparisons with the findings of the 1985 benchmark survey.[1]

Methodology: The questionnaire for the present report was mailed to a senior human-resource executive in each of 1,339 large U.S. companies in May, 1985. In the great majority of instances, the questionnaire was addressed personally to the chief human-resource officer in the firm. The sampling group consisted of the 1984 *Fortune 500* industrial companies, the 1984 *Fortune 500* service companies, and 1985 Conference Board Associate firms not in the *Fortune 500* ranks whose executives express interest in personnel topics. A total of 583 questionnaires were completed and returned, a response rate of 44 percent. The 583 cooperating companies reported ten million employees in U.S.-based facilities.

Sample: Several characteristics of the responding companies are shown in the table below. The responding sample is heavily weighted toward the largest companies (as measured by number of employees at U.S.-based facilities), as was the original sample. Fully 35 percent of respondents represent firms with 10,000 or more employees, with over half of the companies in the sample having 5,000 or more employees. The respondents are about equally divided between manufacturing and nonmanufacturing firms. Somewhat over 60 percent of responding companies report union membership among their employees in the United States. At nearly 20 percent of the firms, half or more of all employees are represented.

Statistical Note: Differences among human-resource issues and company characteristics were tested both for significance and strength of association. Those differences between groups that are singled out in the text—and in Tables 1, 2, 3, 6, 8 and 9 and Charts 3, 5, 6, 7, 9 and 10—are both statistically significant and meaningful. For ease of reference, the text simply refers to these relationships as "significant." To help interpret the results in this sample, the reader may use this rule of thumb: In reading across a row (of numbers or bars) for a sample of this size, a difference of at least 7 to 10 percent between or among groups or subgroups is statistically significant. In Table 1, for example, the relationship between two company characteristics—employment size and industry type—is quite strong ($p < .01$ by the chi-square test). Thus, financial services include a significantly lower proportion of very large companies than do the other industries. It is also evident that there are no significant differences among the other three industry groups in the proportion of very large companies.

[1]The 1985 survey was circulated in May, 1984. The 1985 and 1986 surveys are similar, but not identical, in content. Respondents in both years were senior human-resource executives in major firms, but were not matched samples.

Characteristics of the Sample, 1986

Company Size by Number of U.S.-Based Employees	*Responding Company (N = 583)*
	100%
Smaller (under 1,500)	14
Medium (1,500-4,999)	32
Large (5,000-9,999)	19
Very large (10,000 and over)	35
Industry Type	100%
Durable goods	20
Nondurable goods	23
Public utilities[1]	16
Financial services	22
Other[2]	19
Extent of Unionization of U. S.-Based Employees	100%
No union members	37
Under 20% in union	21
20% to 49% in union	22
50% or more in union	19
Unionized, but number unreported	1

[1]Gas and electric utilities, communications and transportation.

[2]Mining, construction, wholesale and retail trade, nonfinancial services and a small number of companies where respondents checked "other manufacturing" instead of any of the specific two-digit SIC classifications from which the durable and nondurable categories were developed.

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Introduction

The 1986 survey of issues in human-resource management is a means by which The Conference Board assesses the "climate" of concern, change and challenge among senior corporate executives in the broad "personnel" field. This bulletin incorporates the principal findings of a survey for which data were gathered in the Spring of 1985.

The survey questions were designed to provide a human-resource outlook for the near future through identification of:

- major issues in the next one to three years;
- ways in which the human-resource function is changing;
- operational consequences of business, economic and social developments;
- programs and activities that have received major attention from executives in the recent past;
- programs and activities on which managers intend to devote substantial effort in the near term;
- differences in the perceptions of issues, operations and activities by managers whose companies vary in employment size, industry, union representation and the size of the human-resource staffs.

The survey for 1986 is the second in a series. Because of widespread interest in the impact of downsizing on the human-resource function, questions were added this year about the numbers of full-time professionals in this field.

Companies that provide financial services tend to have fewer employees than firms producing goods or supplying public utilities. Nonunion firms have smaller work forces than the unionized companies. The great majority of responses from public utilities and manufacturers (of both durables and nondurables) indicate union representation; in contrast, financial services companies are almost entirely nonunion. These and other aspects of the interrelationships among company size, industry type, and union status among the responding companies are presented in more detail in Tables 1, 2 and 3.

Table 1: Differences in Employment Size, by Industry Type, 1986

	Industry Type			
Company Size by Employment[1]	*Durable Goods (N = 119) 100%*	*Nondurable Goods (N = 136) 100%*	*Public Utilities (N = 92) 100%*	*Financial Services (N = 125) 100%*
Smaller	14	14	9	12
Medium	33	25	36	44
Large	13	23	17	24
Very large	40	38	38	20

[1]Smaller: under 1,500 employees; medium: 1,500-4,999; large: 5,000-9,999; very large: 10,000 and over.

Table 2: Differences in Unionization by Employment Size, 1986

	Company Size[1]			
Unionization	*Smaller (N = 83) 100%*	*Medium (N = 187) 100%*	*Large (N = 107) 100%*	*Very large (N = 198) 100%*
Nonunion	65	49	32	19
Less than 20% in union	11	17	22	27
20%—49% in union	14	18	24	28
50% or more in union	10	16	22	26

[1]Smaller: under 1,500 employees; medium: 1,500-4,999; large: 5,000-9,999; very large: 10,000 and over.

Table 3: Differences in Industry Type, by Unionization, 1986

Industry Type	Unionization			
		Percent of Employees in Union		
	Nonunion (N = 185) 100%	-20% (N = 80) 100%	20%-49% (N = 105) 100%	50% + (N = 95) 100%
Durable goods	16	32	31	32
Nondurable goods	14	50	41	24
Public utilities	8	9	25	44
Financial Services	62	9	3	0

Major Issues

Respondents were given a list of 24 specific issues and were asked to select the three anticipated as the *major concerns* confronting human-resource management in the next one to three years. Chart 1 shows each issue and the frequency of its selection as among the first three in importance by senior human-resource executives from the 583 companies.

It is interesting that no single issue is placed in the top three by a majority of respondents. The most important concern in the near term is control of benefits costs, cited by nearly half of respondents: In this response, as will be seen later, health-care costs are the primary target. The need to link human-resource planning to the strategic business plan, deemed of top importance by nearly 40 percent of respondents, is also one of the most widespread concerns for the human-resource function. Other items of major importance, given top-three standing by over one-fourth of responding executives, are productivity and change in the corporate culture. These are broad, basic organizational issues that affect the entire structure and purpose of the company.

Aside from the specific and very clear concern to contain health-care costs, human-resource executives appear to be taking the longer view. They are addressing general, more global issues of their companies' business(es) for the near term. Productivity improvement, culture change and more strategic human-resource planning also have longer-term considerations in implementation and in results. These responses suggest human-resource executives see themselves less in the role of support staff and more as participants in the making of business decisions.

This is perhaps why issues such as merit pay and performance, introduction of new technology, management development, training and employee participation are accorded less importance as issues than might be expected. It is not that they are unimportant, but that as specific functions, programs or developments, they are subsumed under more general, organizational, businesswide concerns. It is the longer view that gives specific issues less priority.

The data on the ranking of issues from the 1985 survey are not directly comparable, since several new items were added to the 1986 list. The earlier rankings, however, tended in the same direction. The three leading issues confronting human-resource management in the earlier survey were controlling employee benefits costs (69 percent), improving productivity (50 percent) and changing the corporate culture (30 percent). Review of the two sets of findings suggests an increasing attention to human-resource planning and its connection to strategic planning.

Company Size, Industry Type, and Unionization

Perceptions of the importance of issues have been analyzed by the companies' employment size, industry type, and extent of employee unionization. On the whole, there were few significant differences. Company size is unrelated to the perception of issues. However, differences in industry type are strongly related to differing views of the importance of several issues for the near term, as noted below:

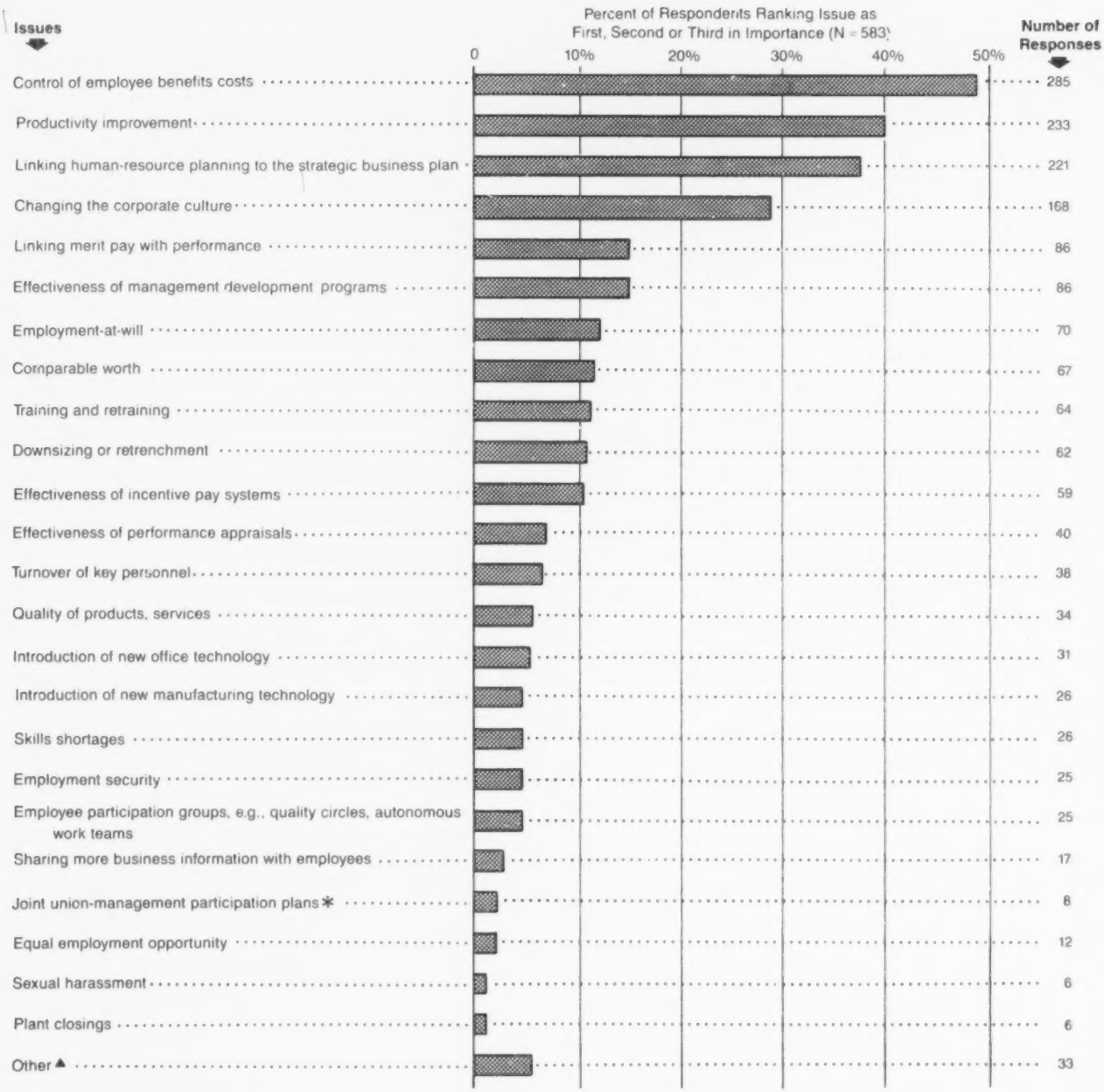
Issues	Percent in Each Industry Giving Top Ranking			
	Durable Goods	Non-durable Goods	Public Utilities	Financial Services
New manufacturing technology	13	5	1	1
Incentive pay	2	4	6	23
Strategic HR planning	41	30	40	49

Respondents in durable goods industries see the introduction of new manufacturing technology as a top issue to a much greater degree than those in the other groups. Nearly one-fourth of financial services executives rank incentive pay systems as their top issue. Also, linking human-resource planning to the strategic business plan is emphasized more by financial services managers than by the other executives, although each group shows a sizable number of responses.

The degree of unionization makes for a significant difference in only one of the 24 issues: Incentive pay systems are mentioned most frequently among the top three by nonunion firms (16 percent). The significance of this issue then decreases steadily with increasing unionization of the work force.

Chart 1.

Top Major Human-Resource Management Issues The Next One to Three Years


Issues
Percent of Respondents Ranking Issue as First, Second or Third in Importance (N = 583)
0
10%
20%
30%
40%
50%
Number of Responses
Control of employee benefits costs 285
Productivity improvement 233
Linking human-resource planning to the strategic business plan 221
Changing the corporate culture 168
Linking merit pay with performance 86
Effectiveness of management development programs 86
Employment-at-will 70
Comparable worth 67
Training and retraining 64
Downsizing or retrenchment 62
Effectiveness of incentive pay systems 59
Effectiveness of performance appraisals 40
Turnover of key personnel 38
Quality of products, services 34
Introduction of new office technology 31
Introduction of new manufacturing technology 26
Skills shortages 26
Employment security 25
Employee participation groups, e.g., quality circles, autonomous work teams 25
Sharing more business information with employees 17
Joint union-management participation plans* 8
Equal employment opportunity 12
Sexual harassment 6
Plant closings 6
Other▲ 33

* Base is the number of companies with union representation.

▲ Other issues suggested by respondents include succession planning, development of leadership skills, post-downsizing reorganization, advancement for younger employees and middle-management involvement.

Table 4: How the Human-Resource Function is Changing, 1986

Direction of Change (multiple responses)	*Number of Responses*	*Percent of All Respondents (N = 583)*
Getting closer to the business; more involvement with business decisions, planning, strategy	325	56
More consultative; helping or training line managers in HR functions	88	15
More professionalized, specialized, technical	78	13
Concern with profits, results, success	61	11
Concern with costs, cost effectiveness	59	10
Becoming more pro-active, less reactive	57	10
More productivity oriented	43	7
Coping with regulatory impact on business	23	4
Quality awareness	19	3
Involvement with unions	11	2
More forecasting activity, scanning	10	2

How the Human-Resource Function is Changing

By designating the human resources-strategic planning link as a top issue for the future, respondents demonstrate a strong interest in the entire business in which they are involved. This interest is even more clearly expressed in responses to an open-ended question about ways in which respondents perceive the human-resource function to be changing. As noted in Table 4, the one theme heavily emphasized is the greater involvement with the enterprise, and with its decisions and strategies. Business orientation is cited as the principal change by over half of all respondents.

Two general directions—the *strategic* and the *operational*—can be identified from respondents' perceptions of changes in the human-resource function. The strategic direction involves business decisions and long-term concerns. The operational direction involves more day-to-day, short-term concerns with performing a function, for example, consultation, cost effectiveness, forecasting or labor negotiations. The table below shows the classification of individual respondents by general direction of expected change.

		Percent of	
Direction of Change	Number	All Respondents	Respondents Answering (N = 474)
Strategic	325	56	69
Operational	149	26	31
No answer	109	19	—
Total	583	100	100

Some quotations serve to illustrate the perceived shift toward closer involvement in and greater knowledge of the business:

"The function is becoming broader gauged and more closely tied to the essence of the business strategy and operation."
A retailer

"More emphasis on strategic planning and the requirement that HR professionals know the business to become credible, participating members of the management team."
A diversified manufacturer

"HR is having more strategic impact on the enterprise; becoming much more business oriented. HR is now part of the mainstream of the business—planning, corporate 'direction,' strategic thinking."
An aircraft manufacturer

"Greater participation in the strategic planning and direction of the company, since effective personnel management is more and more seen as a source of competitive advantage."
A business equipment manufacturer

"HR is being more usually called upon for input to strategic organizational planning and change and, therefore, is becoming more directly accountable for its impact."
A financial corporation

"HR is developing a sharper understanding of its contribution to business success and, in the process, is becoming a 'less soft' function."
A lodging and restaurant service

"To make an effective contribution to the organization, HR will have to move to more comprehensive, less piecemeal, approaches that are more closely tied to the strategic business goals and, if anything, carry an even stronger human-values message."
A shoe manufacturer

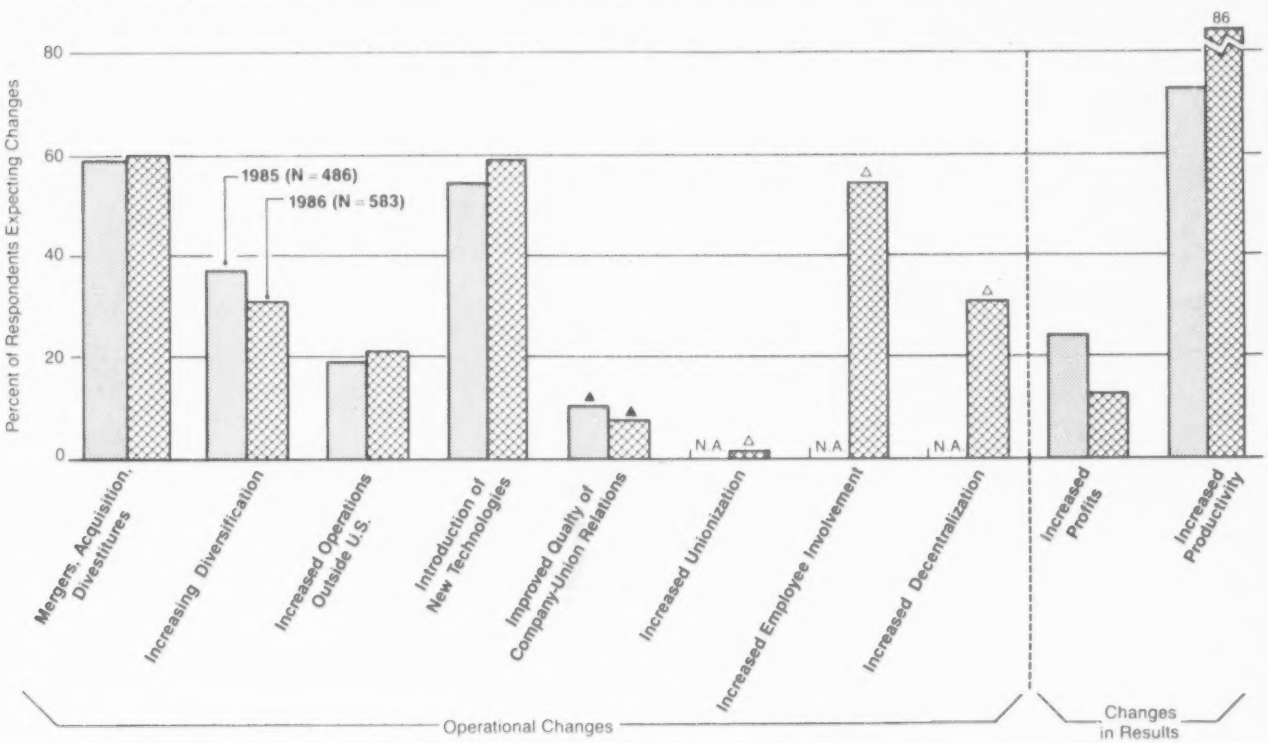
"Human-resource professionals are taking a much more active role in determining and preparing for the strategic direction of businesses, large and small. Their participation, rather than just being tolerated, is now more actively sought in many companies."
A transportation company

"The human-resources function is showing more orientation to the needs of the business, to the quality of service to the client, to finding ways to increase employees' awareness of crucial business elements."
An insurance broker

"Human-resources is identified more with actual management of the company as against being a support function."
A communications equipment manufacturer

Chart 2

Changes in Operations and Results Expected in the Next One to Three Years;1985 and 1986



▲ Base is the number of companies with union representation

△ Not included in 1985 survey

N.A. = Not available

There were no significant differences in the perception of the changing human-resource function by industry type or degree of unionization. Executives giving strategic responses represent very large companies to a greater extent than those giving operational types of responses.

Operational Effects of Business, Economic and Social Developments

Respondents were asked to indicate the consequences for their companies of business, economic and social developments in the coming one to three years. Expected changes in operations from such developments have strong implications for the content, magnitude and direction of human-resource activities. The lists of business operations and results used in the 1985 and 1986 surveys are shown in Chart 2, together with the extent to which respondents anticipate changes.

Three of every five respondents in both survey years expect mergers, acquisitions and divestitures to affect their businesses. An increase in merger activity indicates a major role for human resources in managing the integration of separate cultures into new systems. Over half of the executives in 1986 expect an increase in employee involvement in their companies. This is consistent with the growing interest among major U.S. firms in more effectively using the experience and talent of workers through such vehicles as problem-solving groups, business teams, and autonomous work teams.[1] Substantial proportions of respondents in both survey years anticipate increasing business diversification, suggesting a continuing human-resource effort to develop entrepreneurial managers as companies seek new market advantages. Increasing decentralization of the business, expected by over 30 percent of executives in 1986, may create momentum for further decentralization of the human-resource function into operating units.

A majority of respondents in both years expect the introduction of new technologies into their businesses in the near term. In 1985, it was felt that the impact of new technologies would be experienced about equally in administration, marketing and distribution, and production. By 1986, however, somewhat more respondents (37 percent) believe that new technologies will have an impact on administrative tasks than anticipate such a development in marketing and distribution (29 percent), or production functions (32 percent).

[1]For a description of these and other related techniques, see Chapter 2, "Designs for Change," in Harriet Gorlin and Lawrence Schein, *Innovations in Human Resources Management*, The Conference Board, Report No. 849, 1984.

Table 5: Factors Contributing to Anticipated Productivity Change, 1985 and 1986

Productivity Factors (Multiple responses)	Expecting Change: 1985 Survey[1] Number of Responses	1985 Survey[1] Percent of Respondents (N = 486)	1986 Survey[1] Number of Responses	1986 Survey[1] Percent of Respondents
Better use of human resources	309	64	407	70
Application of new technology	249	51	347	60
Change in product design or product mix	70	14	121	21
Change in scale of operations	67	14	116	20
Employee concessions	a	a	40	7
Improved quality-control procedures	a	a	151	26

[1]The 1985 survey was distributed in May, 1984; the 1986 survey was distributed in May, 1985.

[a]Not included in the 1985 survey.

In both the 1985 and 1986 surveys, the vast majority of respondents anticipate changes in productivity. The reasons for expected productivity increases are indicated in Table 5. In both surveys, productivity gains are attributed primarily to the better use of human resources and, secondarily, to the application of new technology. Only a very few executives believe that employee concessions will lead to productivity improvement in 1986.

By attributing productivity gains chiefly to more effective human-resource management, and by voicing the need to become more knowledgeable and decisive in business strategy, senior human-resource executives place their function at the center of the corporate effort to raise productivity. Presumably, some of them expect that if the regard for the human-resource function increases on the part of those outside the function, larger allocations of corporate resources might be made available in productivity-related areas.

Company Size, Industry Type, and Unionization

Company size is not associated with differences in expected operational changes. Industry type, however, does account for a number of significant differences, as shown in Chart 3. Acquisition, merger and divestiture activity is expected to a greater extent in financial services and nondurable goods than in durable goods and public utilities. Increased diversification is expected by nearly half the financial services respondents in contrast to only one-fifth of the nondurable goods executives. In durable goods, increasing operations abroad are anticipated to a substantially greater extent than in the other industries. Among the more pronounced variations within manufacturing are the different anticipations of new technology introduction between executives in durable goods (74 percent) and those in nondurable goods (51 percent). Increased employee participation in the business is expected in durable goods and public utilities to a greater extent than in nondurable goods and financial services. Durable goods executives are most likely to expect quality-control procedures to play a role in raising productivity in the near future.

A further sharp distinction among industries is shown in Table 6. Respondents were asked to indicate the functional area or areas they anticipate will be *most* affected by the introduction of new technology into their business: Over 60 percent of durable goods executives respond with "production" compared to only 32 percent of respondents in nondurable goods. New technology is expected to affect marketing and administration to a greater extent in financial services than in the other industries.

The variations within manufacturing seem systematic: Compared to durable goods companies, the nondurable sector expects to be subject to more takeover or breakup, less diversification, fewer operations abroad, less introduction of new technology into production, less employee involvement, and less productivity enhancement through quality control.

Two significant differences are found when extent of unionization is related to differences in expected changes in business operations and results, as the tabulation indicates:

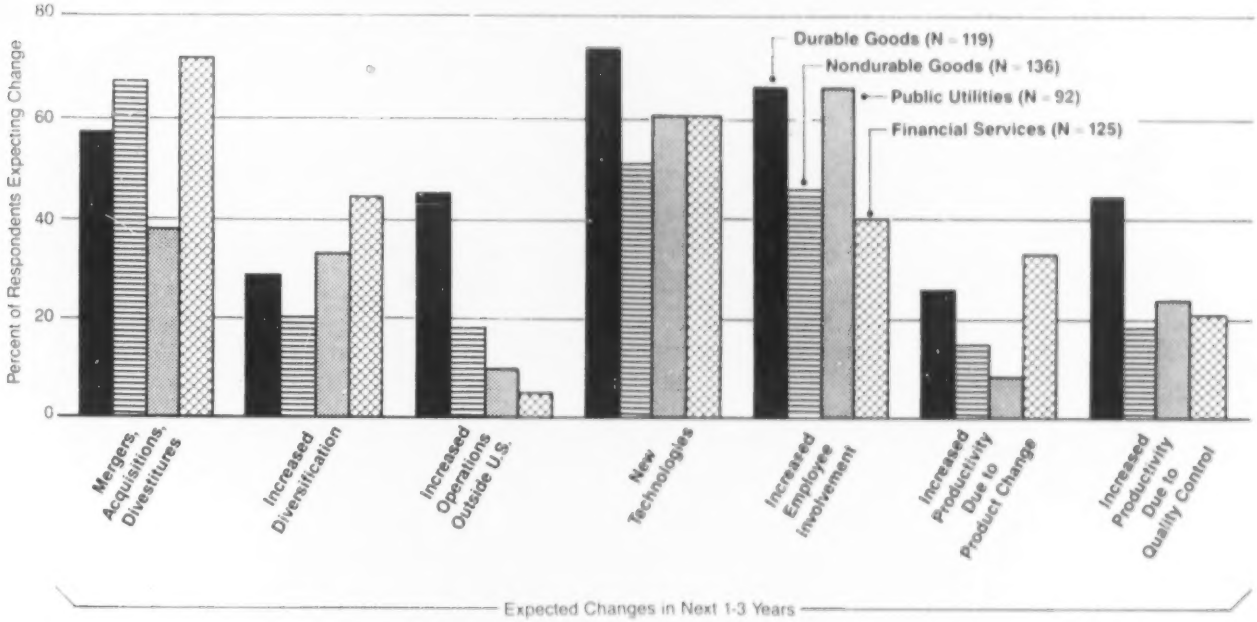
Operation or Result	Percent in Each Group Expecting Change: Non-Union	Unionized Companies (Percent of employees in unions): -20%	20-49%	50%+
Productivity stemming from product change	29	20	17	6
Company-union relationship	—	13	25	48

The chances of a change in product design or mix leading to a productivity increase declines with increasing unionization. It may be more difficult for management in highly unionized settings to obtain changes in work assignments and schedules required by modification in product design. Nearly half of executives in heavily unionized firms anticipate a change in the labor-management relationship, keyed, in part, to productivi-

Chart 3

Differences in Expected Operational Changes by Industry Type

(N = 472)



ty and employment-security issues in manufacturing. The direction of the change is unclear, however; respondents are about equally divided between those who expect improvement and those who expect deterioration in the relationship.

Human-Resource Activities and Programs: The Recent Past and Outlook For the Near Term

Respondents were asked to assess the impact of the issues, concerns and operational changes they had cited on their own human-resource activities. They were presented with a list of human-resource programs and activities typically found in varying combinations in today's workplace—covering work-force size and elasticity, compensation systems, employee benefits strategies, and other selected personnel practices—and were asked to indicate the degree (none, minor or major) to which their companies have engaged in these activities during the past year and their expectation of the degree of activity in these areas over the next three years. A "major" emphasis was defined as appropriate for an activity deemed of fundamental importance to goal achievement. A "minor" emphasis was defined as appropriate for an activity that is not or will not be of strategic importance in achieving the firm's human-resource and business goals.

Table 7 shows the activities on which one-half or more of all respondents expect to place major emphasis in the next one to three years. Several of these important *activities* are also linked to significant human-resource *issues*. The three top issues—benefits-cost control, productivity improvement, strategic human-resource planning—will be reflected in specific programs commanding the major attention of human-resource ex-

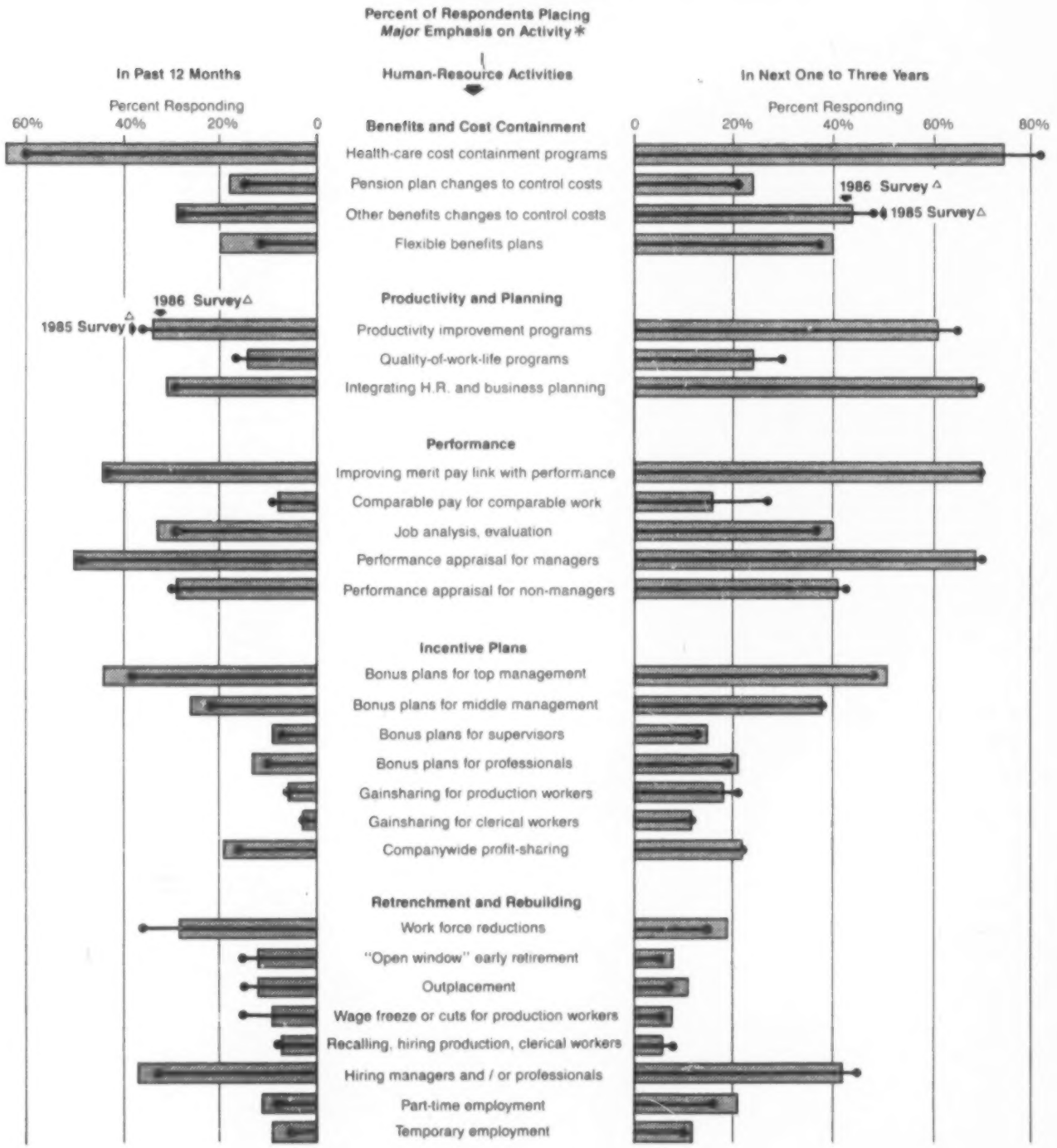
Table 6: Differences in Impact of New Technology on Functions, by Industry Type, 1986

Respondents Expecting New Technology Introduction

	Industry Type			
Functional Area Affected (Multiple responses)	*Durable Goods (N = 119)* %	*Nondurable Goods (N = 136)* %	*Public Utilities (N = 92)* %	*Financial Services (N = 125)* %
Production	62	32	25	16
Marketing, distribution	28	24	36	44
Administration	36	34	38	46

Chart 4.

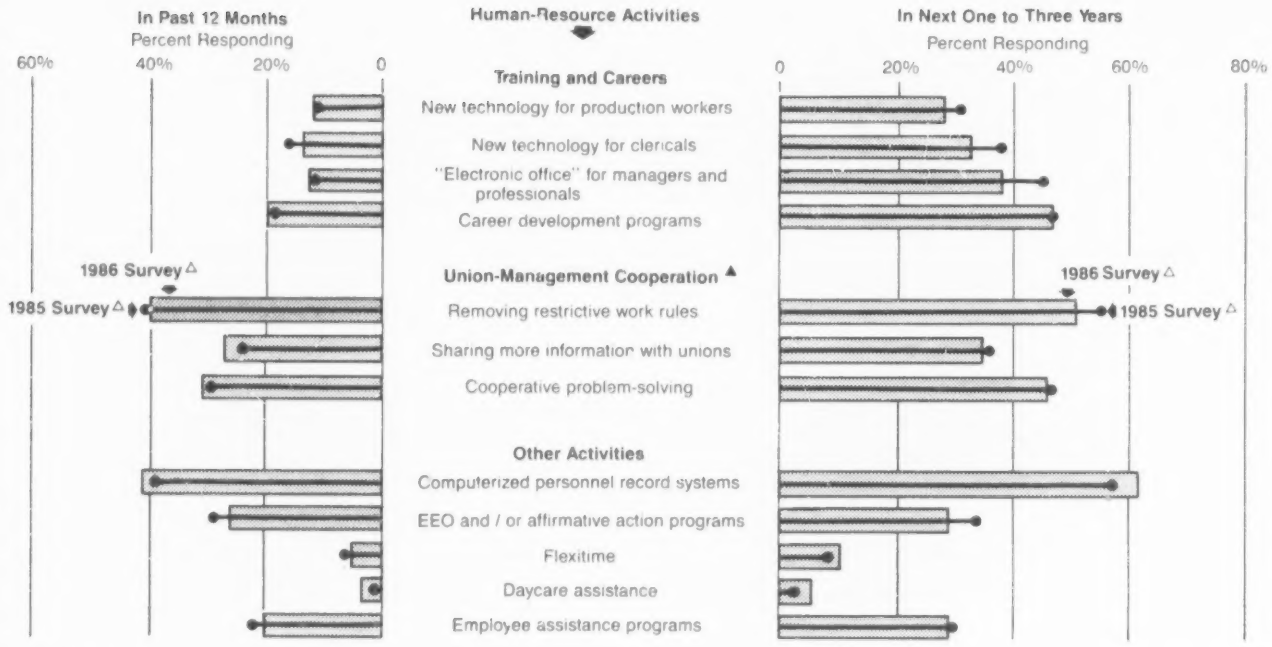
Extent to Which Respondents Place Major Emphasis on Human-Resource Activities, 1985 and 1986



* Multiple responses.
△ The 1985 survey (N = 486) was administered in May, 1984. The 1986 survey (N = 583) was administered in May, 1985

(continued)

Chart 4 (continued)
Percent of Respondents Placing *Major* Emphasis on Activity*



* Multiple responses.
△ The 1985 survey (N = 486) was administered in May, 1984. The 1986 survey (N = 583) was administered in May, 1985.
▲ Base is the number of companies with union representation.

ecutives in the near term. For example, health-care cost containment programs, the principal activity cited by respondents, are a direct response to the single most important human-resource concern—control of employee-benefits costs. The significance of productivity-improvement programs is consistent not only with the high standing of productivity as an issue, but also with the expectation by 70 percent of respondents that productivity will increase primarily through superior use of human resources. (See Table 5.)

Other key activities identified in Table 7 are less oriented to issues. The computerization of personnel records promises to be a major ongoing activity, but the governing issue—new office technology—has a very low ranking. Three activities of great importance involve the interface between merit pay and performance, managerial performance appraisal, and top-management incentives. Yet the issues embracing these activities are ranked well below concerns with benefits, productivity and planning.

To the extent that issues represent continuing problems and challenges, certain activities may no longer be problematical: Their importance has to do more with implementation than with acceptance. This may be the case with the computerization of records. Since a majority of respondents expect an increase in the introduction of new office technology, particularly into the administration function, the issue of computerization seems no longer debatable. Similarly, programs to appraise managers and for better remuneration of senior managers may require improvement and expansion, but are no longer viewed as critical challenges per se. Also, as noted earlier, some of the concern with specific compensation and performance issues may be subsumed under such broader issues as productivity improvement and culture change.

Identical lists of human-resource programs and activities were used in the 1985 and 1986 surveys. Chart 4 shows the major emphases reported for the two years. Two general patterns emerge. One is consistency: The assignment of major emphasis to an activity in the 12 months prior to May, 1985, is very close to that reported in the 12 months prior to May, 1984. The same observation applies in comparing the outlook for the near term (next one to three years) in the two surveys. This suggests relatively little volatility in human-resource affairs.

Two exceptions to the above pattern should be noted. Although health-care cost containment is the ranking activity in the near future in both surveys, the proportion of 1986 executives reporting major emphasis (74 percent) has declined noticeably from the 1985 level (82 percent). The degree of major emphasis placed on comparable-worth activities has also fallen from 27 percent in 1985 to 16 percent in 1986. The data are too limited to ascertain whether these differences are trends toward greater health-cost control or toward a deemphasis of the

Table 7: Principal Human-Resource Activities in the Next One to Three Years, 1986

Activities (multiple responses)	Expectation of Major Emphasis	
	Number of Responses	Percent of Respondents (N = 583)
Health-care cost containment programs	430	74
Improving the link between merit pay and performance	410	70
Performance appraisal for managers	402	69
Integrating human-resource planning and corporate business planning	400	69
Computerized personnel record systems	360	62
Productivity improvement programs	355	61
Bonus plans for top management	297	51

comparable-worth issue. Comparable worth may be a moderately important concern, but, pending further legal developments, companies may not know what direction to take.

The second pattern apparent in Chart 4 is the intention to give more emphasis to activities in the near term than in the recent past. In both surveys, greater emphasis in the future than in the past is found for most activities. Several factors may explain this trend. An executive may plan to devote more serious attention to several key programs, but the pressure on the executive's time may upend these goals. Also, executives may simply decide that some programs cannot be handled effectively at present, but require several years' work.

Improving the link between merit pay and performance is a case in point. In 1985, 43 percent of respondents indicated a major concentration on such a linkage in the prior year—compared with fully 70 percent who expected a similar emphasis in the near future. Precisely the same disparity appears in 1986: This activity is undoubtedly important, but it may not be realistic for executives to invest the time they think it deserves.

Attention should be drawn, nonetheless, to *very large* differences between *recent past* and *near term*. Activities judged to be substantially more important in the future than in the past in both survey years may well indicate areas in which human-resource managers continue to experience the greatest urgency. Such activities, in addition to merit pay-performance, are:

- integration of human resources with business planning
- productivity-improvement programs
- career development
- flexible benefits plans
- preparing managers for the "electronic office."

For each of these activities, in both surveys, the proportion assigning major emphasis in the future is at least 20 percent higher than rating it so for the past 12 months.

The list of 39 activities and programs is organized into several subject areas in Chart 4. The human-resource outlook for the next one to three years becomes clearer when the distribution of major emphasis is examined within each area. In benefits and cost containment, the overriding preoccupation will be on controlling health-care costs. Comparatively, much less emphasis will be placed on controlling costs through pension-plan modifications. More major emphasis will be accorded to cost control in other benefits and to flexible benefits plans.

In productivity and planning activities, quality-of-work-life programs will command comparatively little attention. In the performance area, the merit pay-performance link and managerial performance appraisal will be the dominant activities. Relatively little emphasis will be accorded to comparable pay for comparable work. Bonus plans for top and middle managers will be the significant incentive programs.

On the whole, post-recession retrenchment activities continue to slow down, and rebuilding appears cautious except for hiring in the exempt area. Slightly over 40 percent of respondents anticipate giving major emphasis to hiring managers and professionals. The leading activity in training, education and development programs will be career development, on which nearly half of respondents will place major emphasis.[2]

Several items on union-management cooperation are shown on Chart 4. Roughly half of respondents expect to devote major emphasis to working with unions in removing restrictive work rules and in cooperative problem solving. About a third expect a serious effort to share more information with the unions. It appears that most of this activity will occur outside of formal labor-management participation agreements since fewer than three percent of respondents with unions view such arrangements as a leading concern (Chart 1).[3]

Company Size, Industry Type and Unionization

Charts 5, 6 and 7 show significant differences among respondents to the 1986 survey in the extent to which they expect to place major emphasis on activities in the next one to three years. Differences in company size are strongly associated with differences in emphasis on five of the thirty nine specific programs (Chart 5). The relationship between size and work force reduction, outplacement, health cost containment, and EEO or affirmative action activities is direct—the proportion of

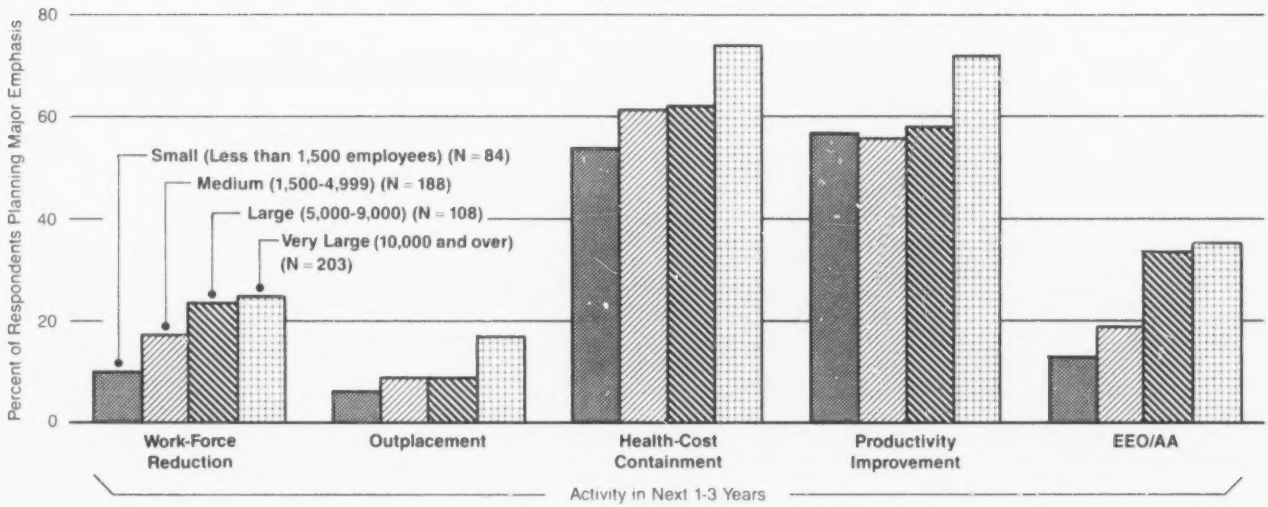
[2]For a discussion of current development efforts in U.S. companies, see Seymour Lusterman, *Trends in Corporate Education and Training*, The Conference Board, Report No. 870, 1985

[3]A further discussion of labor-management cooperation appears in Ronald E. Berenbeim, *Company Programs to Ease the Impact of Shutdowns*. The Conference Board, Report No. 878, 1986.

Chart 5

Differences in Expected Activity, by Company Size, 1986

(N = 583)



respondents intending major emphasis on the activity increases with the number of employees. More serious attention will be paid to productivity improvement in the very large companies than in firms with fewer than 10,000 employees.

The data suggest that retrenchment activities, to the extent that post-recession effects continue, will be more evident in the larger companies. At the same time, it is in the very largest firms that significantly greater emphasis will be directed to the leading near-term issues: employee-benefits' costs and productivity improvement. The proportion of respondents involved is appreciable. Nearly three-fourths of managers in very large firms plan this high level of commitment to health costs and productivity.

Among the several industry types, durable goods executives intend to devote significantly greater attention to productivity improvement, quality-of-work-life efforts, gainsharing plans and training in new technology for production workers (Chart 6). Financial services executives will place greater emphasis than other executives on flexible benefits, bonus plans for both middle managers and professionals and the hiring of managers, professionals and part-timers.

Chart 6 also shows that appreciable proportions of companies plan to be involved in some of the activities. For example, three- fourths of durable goods respondents will give major emphasis to increasing productivity levels. Over 60 percent of financial services executives plan to hire managers or professionals in the next few years. Further, over half of financial services executives intend to devote major attention to middle management bonus plans.

A number of direct relationships between extent of unionization and emphasis on activity are shown in Chart 7. Emphasis on job analysis and evaluation, bonus plans for professionals, and hiring of managers and professionals decreases with unionization. Work-force reduction and cooperation with management over the removal of restrictive work rules increases with unionization. Retrenchment activities will be experienced to the greatest extent in the most heavily unionized firms. In general, there is more concern with long-term incentives and job performance in nonunion than in unionized firms. Joint labor-management efforts to loosen or remove work rules will be a prominent activity in heavily unionized firms. The hiring of managerial and professional staff will be a major activity in nonunion companies. These variations in activity reflect differential priorities for human-resource staffs in nonunion and unionized companies in the near term, and, quite possibly, in the longer run as well.

Human-Resource Staff Levels

Data on the number of full-time human-resource professionals were obtained in the 1986 survey for two purposes. The first was to determine whether any changes have occurred, or are expected to occur, in the recent or projected supply of human-resource "person-power." The second purpose was to discover:

(1) if differences in human-resource staffing ratios (the number of human-resource professionals per 1,000 employees) are associated with differences in the perception of major issues, expected changes in business operations, and activities planned for the near term.

(2) if differences in staffing ratios are related to differences in such factors as company size, industry type, and unionization.

Changes in "Person Power"

Respondents were asked to report the number of U.S.-based full-time human-resource professionals currently (May, 1985) in their companies and the number one-year prior to the sur-

Chart 6

Differences in Expected Activity, by Industry Type, 1986

(N = 472)

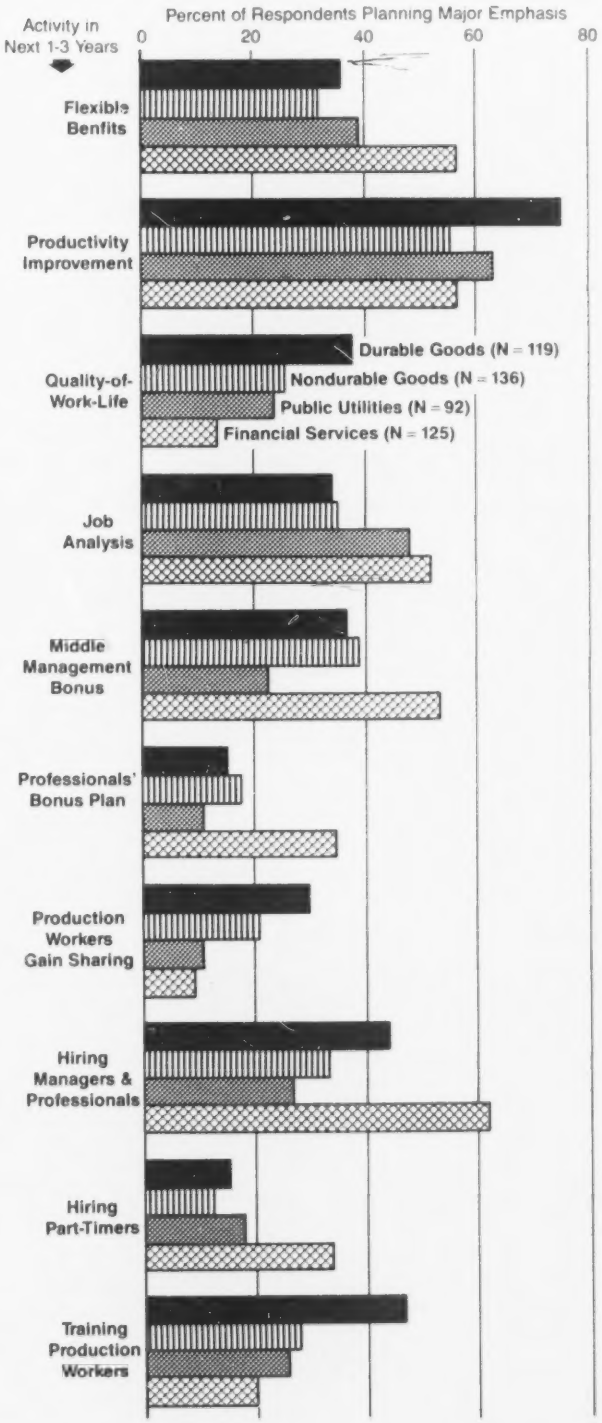


Chart 7

Differences in Expected Activity, by Unionization, 1986

N = (575)

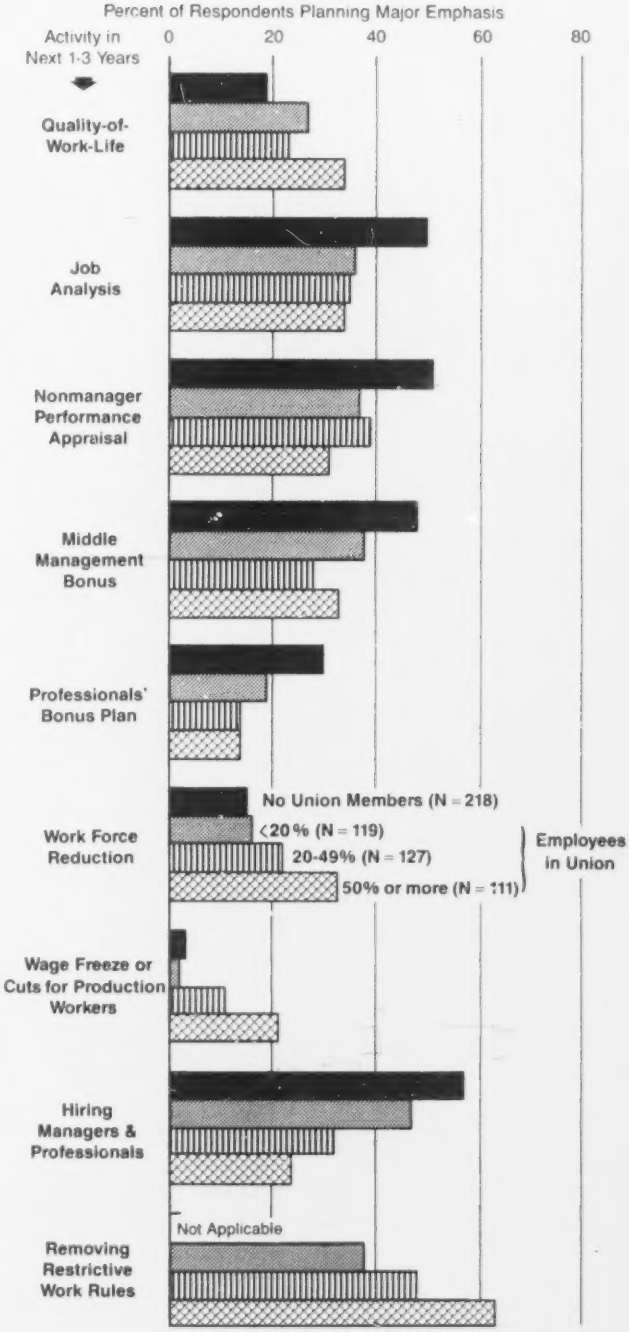
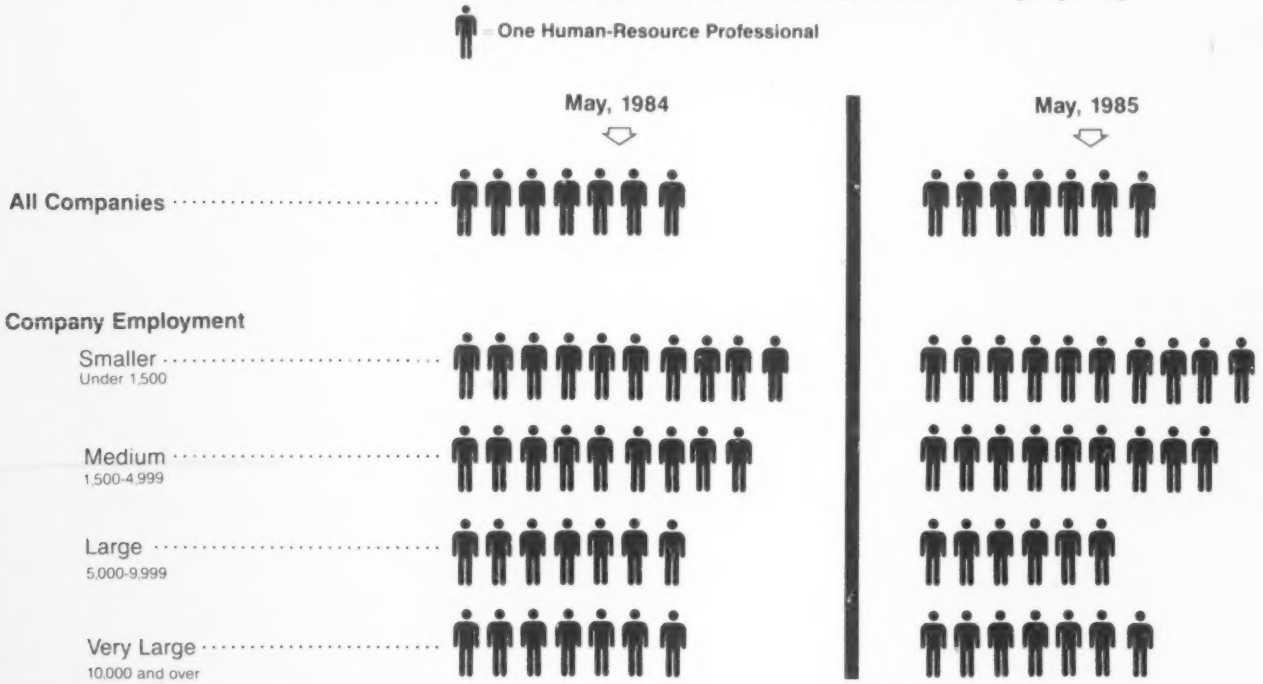


Chart 8.

Human-Resource Staffing Ratio by Company Size (Number of Full-Time Human-Resource Professionals per 1,000 Employees)



vey. In addition, an estimate was sought for the year ahead. Respondents were also requested to provide the number of their U.S. employees—both currently and a year ago—so that the appropriate ratios could be computed.

Decline in human-resource "person power" does not appear to be an issue for the immediate future. The numbers suggest that any major impact of the 1981-1982 recession had ended, at least by the Spring of 1984. There are two types of supportive data. The first set consists of the median number of human-resource professionals. As the figures below indicate, the medians are stable in the companies in the sample for the three periods.

	Median HR Professionals
May, 1984	36
May, 1985	35
(Estimated) May, 1986	36

The second set of data consists of the ratios of full-time human-resource professionals to the number of U.S.-based employees. These staffing ratios (the numbers of professionals per 1,000 employees) are shown for 1984 and 1985 by company size in Chart 8, and indicate virtually no change.

Issues, Operations and Activities

To examine the effects of different staffing ratios, companies were divided into three ratio groups: fewer than five professionals per 1,000 employees, five to nine professionals, and 10 or more professionals. Differences in staffing ratios are unrelated to differences in the selection of top issues or in expectations of operational changes as a result of business, economic and social developments. The few activities in which the staffing ratio makes a difference are shown in Chart 9. Increasing staffing ratios are significantly associated with an increasing major emphasis on flexible benefits plans, improving the merit pay link with performance, and hiring managers and professionals in the next one to three years.

Company Size, Industry Type and Unionization

As Chart 8 indicates, smaller and medium-sized companies tend to have higher staffing ratios than large and very large companies. One factor in this difference may be that larger firms, in their efforts to achieve economies of scale, have been able to reduce their human-resource staffing levels over time, possibly by the use of such efficient techniques as computerized personnel records.

Staffing ratios are strongly related to industry type (Table 8) and to unionization (Table 9). Staffing ratios are much higher in financial services firms than in the other industries. Nearly half of financial services respondents are in companies with 10 or more professionals per 1,000 employees. Nonunion companies tend to have higher staffing ratios—over 40 percent report 10 or more human-resource professionals per 1,000 employees. The human-resource staffing ratio tends to diminish with increasing unionization.

Table 8: Differences in Human Resource Staffing Ratios, by Industry Type, 1986

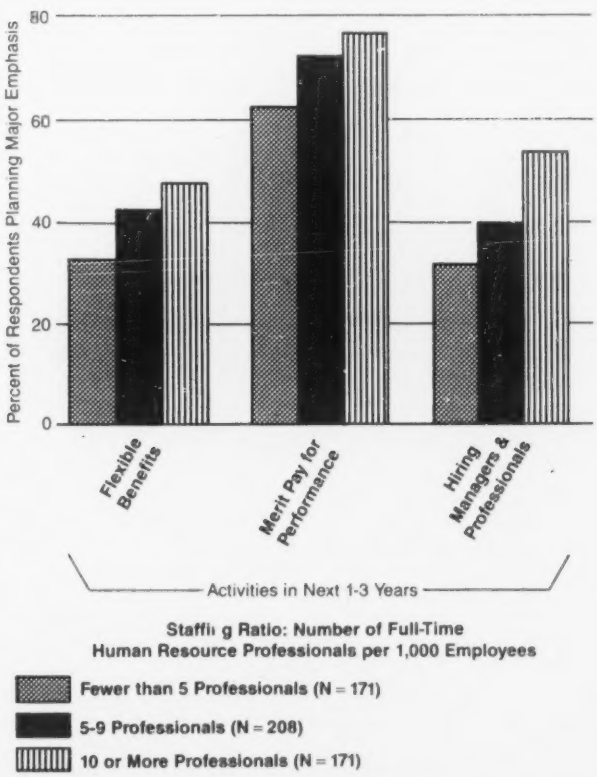
Staffing Ratio (Number of Full-Time HR Professional per 1,000 Employees)	Industry Type: Durable Goods (N = 111) 100%	Nondurable Goods (N = 121) 100%	Public Utilities (N = 89) 100%	Financial Services (N = 122) 100%
Fewer than 5 professionals	34	33	29	17
5-9 professionals	42	44	37	38
10 or more professionals	24	23	34	45

Table 9: Differences in Human-Resource Staffing Ratios, by Unionization, 1986

Staffing Ratio (Number of Full-Time HR Professionals per 1,000 Employees)	Unionization: Nonunion (N = 204) 100%	Percent of Employees in Union: –20% (N = 114) 100%	20%-49% (N = 121) 100%	50% + (N = 107) 100%
Fewer than 5 professionals	20	34	31	46
5-9 professionals	38	37	46	31
10 or more professionals	42	29	23	23

Chart 9.

Differences in Expected Activity by Human Resource Staffing Ratio, 1986
(N = 550)


Percent of Respondents Planning Major Emphasis
80
60
40
20
0
Flexible Benefits
Merit Pay for Performance
Hiring Managers & Professionals
Activities in Next 1-3 Years
Staffing Ratio: Number of Full-Time Human Resource Professionals per 1,000 Employees
Fewer than 5 Professionals (N = 171)
5-9 Professionals (N = 208)
10 or More Professionals (N = 171)

The Changing Human-Resource Function and Issues, Operations and Activities

As noted earlier, respondents identify two major directions of change in the human-resource function. Of those indicating the direction, 69 percent mention movement toward strategic concerns and 31 percent cite operational changes. (See page 6 above.)

Perception of the changing function does not distinguish among executives' designation of leading issues. In the area of business operations and results, the following trends appear:

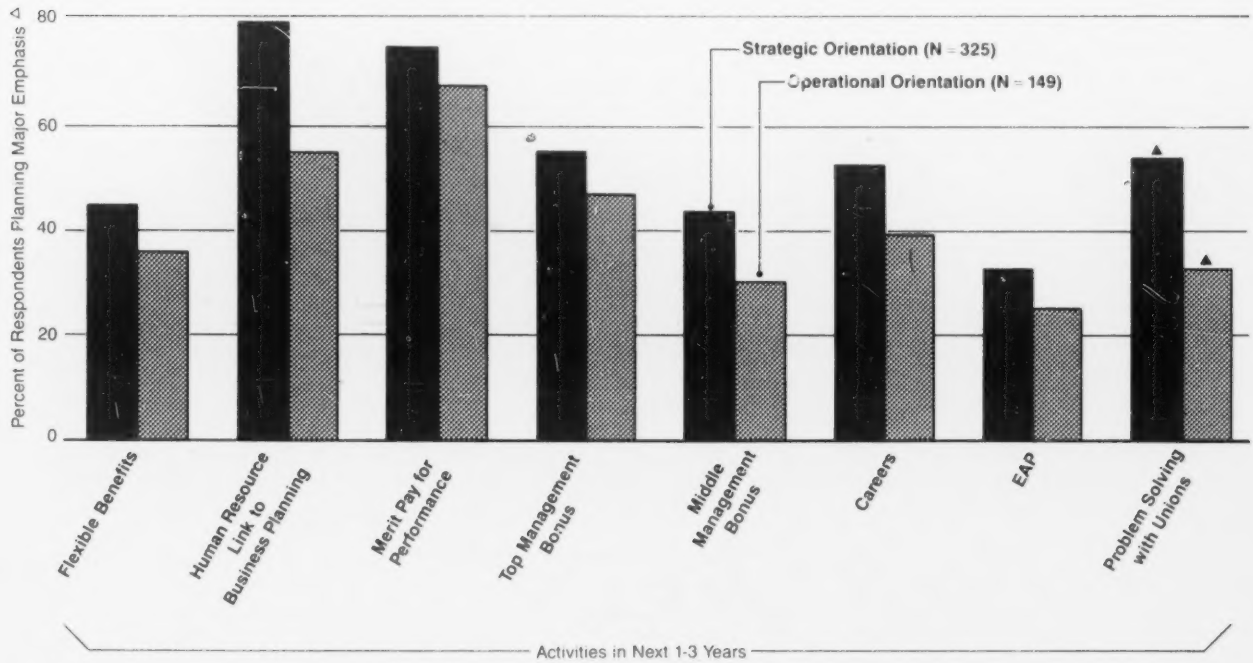
Expected Change	Percent in: Strategic Direction	Operational Direction
Increased scope of operations outside the United States	25	13
Productivity change due to:		
Application of new technology	65	55
Quality-control procedures	33	21

Executives who differ in their basic approach to the question on the changing human-resource function are consistent in their feelings about the near-term importance of strategic human-resource planning as an activity. As illustrated in Chart 10, nearly 80 percent of strategically oriented managers plan to devote major attention to the human-resources link with bus-

Chart 10

Differences in Expected Activity by Perception of the Human-Resource Function, 1986

(N = 474)



△a. Base excludes respondents giving no answer.
▲b. Base is the number of companies with union members.

iness planning, as against 55 percent of the operationally oriented.

Other differences in anticipated activity emphasis of these two groups are also shown in Chart 10. Strategically oriented executives will place significantly more emphasis on flexible benefits, pay for performance, bonuses for top and middle management, career development, employee-assistance programs, and problem solving with unions than will their operationally oriented counterparts.

Perception of the changing human-resource function is related to company size, as noted earlier, but not to industry type or unionization. Strategic orientation and operational orientation are not associated with differences in human-resource staffing ratios.